



JERRY SANDERS
MAYOR

February 1, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 Capitol Building
Washington, DC 20515

**RE: SUPPORT FOR INCREASING THE CONFORMING LOAN
LIMITS IN HIGH-COST AREAS**

Dear Majority Leader Reid:

I am writing in strong support of including a temporary increase to the conforming loan limits imposed on Fannie Mae and Freddie Mac. As you know this increase is one component of the proposed economic stimulus package.

In order to ensure that the economic stimulus package is successful, it is critical that we stabilize the housing market, especially in the major metropolitan areas that have been hit hardest by the recent real estate declines. This is especially true for regions with exceptionally high-cost housing such as San Diego. In 2007, foreclosures increased 353% in San Diego County over the previous year. In the San Diego Region 7,349 foreclosures took place in 2007, this is significantly higher than the previous record of 4,077 in 1996. Default notices increased by 128% in 2007 over the previous year. This increase to the conforming loan limits would help many recent homebuyers who face foreclosure to refinance their houses at a lower interest rate.

The City of San Diego supports increasing the conforming loan limit under Fannie Mae and Freddie Mac because the exceptionally expensive cost of living and what constitutes "middle-income" in our region do not fit the standard programs. The median priced home is \$440,000 meaning that the vast majority of our residents are unable to earn enough to afford a home but fall outside the eligibility for helpful federal programs.

Because mortgages backed by Fannie Mae and Freddie Mac carry lower interest rates than other privately backed mortgages, such a change may allow many current homeowners to stave off foreclosure. Additionally, it may allow other residents to get into the market now that housing prices have come down thus stabilizing the local real estate market.

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Major metropolitan areas like ours drive the nation's economy but with that success often comes higher costs of living including home prices. Therefore, the City of San Diego strongly supports the temporary increase in conforming loan rates. I hope that you will work during Senate consideration and conference with the House to ensure that provision is included in a final version of any economic stimulus package. Thank you for your consideration and support of these efforts to assist residents in high cost areas.

Sincerely,



JERRY SANDERS

cc: Senator Dianne Feinstein
Senator Barbara Boxer

JS/jin